

## **Recreational Trails Program Direct and Indirect Costs Guidelines**

As part of the normal routine of completing a trail project, grant sponsors incur “direct costs.” These costs are eligible for reimbursement under the Recreational Trails Program. However, *Montana Fish, Wildlife & Parks* will not reimburse grant sponsors for “indirect costs.” A grant sponsor should understand the difference between direct and indirect costs. The following definitions and examples are provided as guidance.

**Direct costs** are clearly identifiable costs related to a specific project. General categories of direct costs include but are not limited to salaries and wages, fringe benefits, per diem (gas or meals), construction, printing, costs for brochures and displays, signs, etc. Since these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis. For example, electrical costs incurred by a snowmobile club for a warming hut would be considered a direct cost since the utility costs are readily identified with a specific project for which the club received a grant. However, electrical costs incurred by a city to operate its administrative building during the course of a grant project are not considered direct costs and are ineligible for reimbursement. All direct costs need to be included in grant request in application materials.

**Indirect costs** represent the expenses of doing business that are not readily identified with a particular activity, but are necessary for the general operation of an organization. Indirect costs may be either fixed or variable. These costs are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular project. These kinds of costs would be incurred regardless of whether the grant sponsor had been awarded a grant.

Indirect costs are those for activities or services that benefit more than one project. Indirect costs include but are not limited to such things as building insurance, rent, electricity, accounting, budgeting, grant writing, advertising, depreciation, insurance, interest, legal fees, repairs, taxes, telephone bills, and utility bills. Furthermore, indirect costs can include taxes, administration, personnel and security costs, and are also known as overhead or administrative costs.

Labor costs can be direct or indirect. Direct labor costs are usually incurred only by project staff members. These are the folks that work directly on the trail project for which the grant sponsor received the grant. Indirect labor costs are those incurred on an ongoing basis and for which the applicant would have regardless of a Recreational Trails grant. Indirect labor costs generally include administrative staff.

In a similar fashion, materials such as miscellaneous office supplies (pencils, paper, tape, staples) are indirect costs. These materials are needed for the ongoing operation of the sponsoring organization regardless of the grant. However, materials required

specifically for a grant project are classified as direct costs, and these are eligible for reimbursement.

**In Summary:**

- Direct Costs are eligible costs and can be reimbursed under the Recreational Trails Program if they have been outlined and approved in the grant application.
- Indirect Costs are ineligible costs and will not be reimbursed under the Recreational Trails Program under any circumstances.

To ask specific questions about direct and indirect costs, please feel free to call Beth Shumate (406-444-4585) or Steve Gilbert (406-444-7642) for clarification.